

## Message Text

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ACTION AEC-11

INFO OCT-01 EUR-25 ISO-00 TRSE-00 NSF-04 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14 SCI-06

SCEM-02 OMB-01 EB-11 COME-00 DRC-01 FPC-01 INT-08

/181 W

----- 023364

R 041101Z DEC 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9047

INFO USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

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DEPT PASS AEC, TREASURY AND DEFENSE

E. O. 11652: N/A

TAGS: TECH, PFIN, GW

SUBJECT: OFFSET - SCIENCE, TECHNOLOGY, URANIUM AND  
CIVILIAN PROCUREMENT

REF: A. BONN 17021, B. BONN 12567

1. SUMMARY: EMBASSY ECONOMIC/COMMERCIAL MINISTER AND  
SCIENCE ATTACHE URGED FRG CONSIDER ONCE AGAIN US  
OFFSET PROPOSALS FOR COOPERATIVE PROJECTS IN SCIENCE  
AND TECHNOLOGY, URANIUM PURCHASE AND CIVILIAN  
PROCUREMENT TO SUPPLEMENT CURRENT FRG OFFERS.  
TECHNOLOGY MINISTRY REP WAS INTERESTED BUT UNABLE MAKE  
SPECIFIC RESPONSE AT THIS TIME. END SUMMARY.

2. ECON/COMMINT AND SCIATT CALLED ON FRG "DEPUTY  
ASSISTANT SECRETARY FOR ENERGY RESEARCH AND TECHNOLOGY",  
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DR. SCHMIDT-KUESTER TO URGE FAVORABLE RESPONSE TO THE

US PROPOSALS FORWARDED TO FRG WITH UNDER SECRETARY CASEY'S MAY 11 LETTER TO AMBASSADOR HERMES. ECON/ COMMIN REVIEWED US PROPOSALS AND LIST OF ILLUSTRATIVE PROJECTS WITH PARTICULAR EMPHASIS ON THOSE INVOLVING COOPERATION IN ENERGY RESEARCH, DEVELOPMENT AND TECHNOLOGY. SCHMIDT-KUESTER EXPLAINED THAT A RECENT REORGANIZATION OF HIS MINISTRY HAD MADE HIM RESPONSIBLE FOR BOTH NUCLEAR AND NON-NUCLEAR ENERGY R&D. HIS STAFF WAS DEVELOPING NEW GERMAN PROGRAM IN THIS AREA. HE WAS CONFIDENT THAT MUTUALLY BENEFICIAL US-FRG COOPERATIVE PROGRAMS COULD BE WORKED OUT. HOWEVER, HE COULD NOT RPT NOT YET MAKE ANY SPECIFIC SUGGESTIONS, PARTICULARLY IN THE OFFSET CONTEXT, UNTIL THIS NEW FRG PROGRAM HAD BEEN OUTLINED.

3. SCHMIDT-KUESTER REVIEWED HIS GOVERNMENT'S EFFORTS OVER THE PAST FEW MONTHS TO ENCOURAGE AND SUBSIDIZE PURCHASE OF URANIUM ENRICHMENT SERVICES BY NUKEM UNDER OFFSET. AEC RESPONSES DURING THIS PERIOD HAD NOT BEEN ENCOURAGING. NEVERTHELESS, FRG HAD INSISTED THAT NUKEM REPRESENTATIVE STEPHANY NEGOTIATE WITH AEC ALTHOUGH USSR WAS PRESSING HARD FOR COMPLETION OF SALE SOVIETS HAD OFFERED. WHEN AEC ASKED FOR 4000 TONNES LONG-TERM COMMITMENT AS CONDITION FOR 2000 TONNES SALE UNDER THE OFFSET, GERMAN GOVERNMENT COULD NO LONGER HOLD THE LINE AND NUKEM SIGNED CONTRACT WITH USSR. SCHMIDT-KUESTER WAS ASTOUNDED TO LEARN THAT AEC WRITTEN RESPONSE TO STEPHANY WAS NOT RPT NOT A NON-NEGOTIABLE DEMAND. HE REGRETTED GREATLY THIS MISUNDERSTANDING. THE FRENCH HAVE ALREADY DRAMATIZED THIS INCIDENT AS FURTHER EVIDENCE OF AEC INTRANSIGENCE WHICH CAN ONLY BE COUNTERED BY CONCERTED EUROPEAN ACTION.

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4. A SIGNIFICANT COMMERCIALLY-BASED URANIUM ENRICHMENT PURCHASE UNDER OFFSET IS NOW ALMOST CERTAINLY EXCLUDED. TECHNOLOGY MINISTER EHMKE, WHO STRONGLY FAVORS GOVERNMENT STOCKPILE OF ENRICHED URANIUM TO ENSURE FRG SUPPLIES, WILL CONTINUE HIS EFFORTS TO PERSUADE FINANCE MINISTER TO APPROVE GOVERNMENT FUNDS FOR STOCKPILE. PROSPECTS ARE UNCERTAIN. A FINAL DECISION ON THIS POINT SHOULD BE REACHED WITHIN NEXT MONTH. SCHMIDT-KUESTER STRESSED, HOWEVER, THAT IF EHMKE'S EFFORTS ARE SUCCESSFUL THE FRG WILL NOT RPT NOT ACCEPT ANY LONG-TERM COMMITMENTS ASSOCIATED WITH BULK SALE UNDER THE OFFSET AGREEMENT.

5. SCHMIDT-KUESTER RECALLED FRG HAD ASKED USG AN INFORMAL QUESTION ABOUT GERMAN INVESTMENT IN US URANIUM MINING INDUSTRY AS PART OF THE OFFSET AGREEMENT  
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TO SUBSTITUTE FOR THE PURCHASES OF URANIUM ORE SUGGESTED IN THE U.S. ILLUSTRATIVE LIST OF PROJECTS. HE WONDERED AGAIN WHETHER THIS WOULD BE ACCEPTABLE TO THE US EITHER ALONE OR ASSOCIATED WITH A GOVERNMENTAL STOCKPILE PURCHASE OF URANIUM ENRICHMENT SERVICES. NOTE: THIS QUESTION WAS FORWARDED TO DEPARTMENT AS BONN 12567 ON AUGUST 31. NO REPLY YET RECEIVED.

6. US-FRG COOPERATION UNDER OFFSET IN SOME ENERGY-RELATED TECHNOLOGIES, E.G. IMPROVEMENTS IN COAL MINING TECHNIQUES COULD CREATE DOMESTIC PROBLEMS WITH GERMAN COAL MINERS. HOWEVER, IN SCHMIDT-KUESTER'S VIEW, SUCH COOPERATIVE PROGRAMS MIGHT BECOME POSSIBLE

IF THE ENERGY CRISIS CONTINUES AND THE GERMAN COAL  
INDUSTRY BECOMES MORE CONFIDENT OF ITS FUTURE.

7. THROUGHOUT THE CONVERSATION, WE PRESSED FIRMLY  
FOR PROMPT FAVORABLE RESPONSE TO US OFFSET PROPOSALS  
LISTED IN CASEY'S MAY 11 LETTER IN VIEW IMPORTANCE  
THIS QUESTION TO BOTH GOVERNMENTS. SCHMIDT-KUESTER  
PROMISED TO REVIEW US PROPOSALS AGAIN VERY CAREFULLY.  
HILLENBRAND

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